

EDWARD J. MARKEY

7TH DISTRICT, MASSACHUSETTS

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ENERGY AND COMMERCE COMMITTEE

RANKING MEMBER

SUBCOMMITTEE ON
TELECOMMUNICATIONS AND
THE INTERNET

RESOURCES COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515-2107

October 31, 2002

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The Honorable Harvey Pitt
Chairman
Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20545

Dear Mr. Chairman:

I was surprised and dismayed to read a report in today's New York Times ("Audit Overseer Cited Problems in Previous Post) regarding fraud charges brought against a company where Mr. William Webster, the newly-appointed head of the Public Company Accounting Oversight Board, served as chairman of the audit committee. According to this report, you apparently knew of these charges, but did not inform your fellow Commissioners or the White House prior to the Commission's vote on Mr. Webster's appointment. In light of the seriousness of these revelations, please respond promptly to the following questions.

Questions for Commissioner Pitt

1. Prior to the vote on Mr. Webster's appointment to the oversight board, did you inform your fellow Commissioners of the charges filed against U.S. Technologies, the firm where Mr. Webster served as chairman of the audit committee? If yes, when did you inform each Commissioner and what were they told about the fraud allegations? If Commissioners were not informed, why not?
2. It has been reported that you did inform Mr. Robert Herdman, the Commission's chief accountant, of pending litigation filed against U.S. Technologies. Is this accurate? Did you notify the Commission's enforcement staff? If yes, whom did you notify and what information did you provide? If you did not inform the enforcement staff, why not? Did you notify Anne Womack, who recently was hired from her post at the White House to serve as a communications specialist at the Commission?
3. Mr. Webster has stated that prior to his appointment as chairman of the accounting oversight board he expressed concerns to you and Mr. Herdman that his role as U.S. Technologies' audit committee chairman could raise problems. According to Mr. Webster, you assured him that the Commission staff had investigated the circumstances surrounding his role as audit committee chairman and determined that it did not pose any problems. Which Commission staff members were involved in this investigation? Whom did these staff members contact during the course of the investigation? When was the investigation initiated and when was it concluded? Please provide all documentation, including email and written correspondence, relating to this investigation. If no such documentation exists, explain why not.

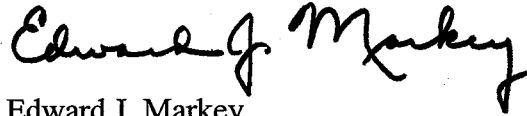
4. According to the above-referenced report, Commission staff members did not contact U.S. Technologies' former outside accounting firm, Mr. Webster's colleagues on the audit committee, U.S. Technologies executives and parties involved in pending litigation. Is this accurate? If yes, why were these parties not included in the Commission's investigation?
5. Following his appointment as chairman of the accounting oversight board, Mr. Webster reportedly contacted you a second time to inform you about a government investigation into fraudulent activities committed by U.S. Technologies' chief executive. Did you inform your fellow Commissioners of Mr. Webster's subsequent communication? If yes, when did you inform them and what information did you convey? If not, why not? Did you inform any Commission staff of Mr. Webster's communication to you about this inquiry? If yes, whom did you inform? If not, why not?
6. Describe the vetting process used by the Commission to screen the other candidates for the oversight board. Which Commission staff were involved in this process? When was the process initiated? Please provide all documentation, including email and written correspondence, relating to this process. If no such documentation exists, explain why not.

Questions for Commissioners Atkins, Campos, Glassman and Goldschmid

1. Prior to your vote on Mr. Webster's appointment, were you aware that Mr. Webster had until recently been the chairman of the audit committee of U.S. Technologies, a firm facing fraud charges? If you were aware of Mr. Webster's role at U.S. Technologies, did you know that this firm was the subject of litigation alleging fraudulent financial controls that reportedly occurred during Mr. Webster's tenure as audit committee chairman? If you were not aware of Mr. Webster's role prior to your vote, would you have voted differently had you known about the circumstances surrounding the firm during Mr. Webster's tenure as audit committee chairman?
2. Do you believe that Mr. Webster's role at U.S. Technologies will have a material effect on his and the oversight board's ability to fulfill its responsibilities as mandated by the Sarbanes-Oxley law? If yes, please explain. If not, why not?
3. In your opinion, do the details of Mr. Webster's involvement with U.S. Technologies raise concerns about his suitability as chairman of the accounting oversight board?
4. Are you concerned about the vetting process used by the Commission to screen candidates for the oversight board?
5. What information were you provided about the candidates prior to casting your vote? Do you believe that this information provided sufficient detail to enable informed decision-making by Commissioners?
6. What recommendations do you have for future improvements in the way members of the accounting oversight board are vetted?

I appreciate responses to my questions about the circumstances surrounding the appointment of Mr. Webster as chairman of the accounting oversight board. Please submit a response to my questions within 7 working days, or no later than November 11, 2002. Should you have any questions, please have a member of your staff contact Mr. Mark Bayer or Mr. Jeff Duncan of my staff at 202-225-2836.

Sincerely,

A handwritten signature in black ink that reads "Edward J. Markey". The signature is fluid and cursive, with the first name "Edward" and last name "Markey" clearly legible.

Edward J. Markey
Member of Congress